

HURON INTERMEDIATE SCHOOL DISTRICT
Bad Axe, Michigan

Report on Financial Statements
June 30, 2008

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September 19, 2008

INDEPENDENT AUDITOR'S REPORT

Robert L. Tuckey, CPA

Board of Education
Huron Intermediate School District
Bad Axe, Michigan 48413

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Intermediate School District, as of and for the year ended June 30, 2008, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Huron Intermediate School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Intermediate School District as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2008 on our consideration of Huron Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages i through vii and pages 23 through 26, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
Huron Intermediate School District
September 19, 2008

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Huron Intermediate School District's basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**HURON INTERMEDIATE SCHOOL DISTRICT
BAD AXE, MICHIGAN
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Huron Intermediate School District, located in Bad Axe, Michigan is one of 57 Intermediate School Districts in the State of Michigan and serves the 15 local public school districts and five non-public schools in Huron County. Huron ISD has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) and is in its fifth year of reporting.

Generally accepted accounting principles (GAAP), according to GASB 34, require the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

FINANCIAL HIGHLIGHTS

The overall condition of all funds, governmental activities and business-type activities, remains stable for Huron ISD. Financial goals have been met with consideration to the state's current economy with reductions in categorical state grant funds. Resources are available for the 2008-2009 fiscal year with revenue and expenditure patterns being maintained.

The assets of Huron Intermediate School District exceeded its liabilities at the close of fiscal year 2008 by \$11,763,665 (net assets). Of this amount, \$8,685,539 (unrestricted net assets) may be used to meet the District's ongoing obligations to students, taxpayers, and creditors.

The District's total net assets increased by \$1,133,532.

As of the close of the current fiscal year, the district's governmental funds reported combined ending fund balances of \$9,074,204 an increase of \$1,256,215 in comparison with the prior year.

At the end of the current fiscal year, the aggregated fund balance for the District's operating funds (general fund, special education fund, and career and technical education fund) was \$8,889,647 or 75.20% of the total expenditures of these operating funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction of the district's basic financial statements. The district's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the district's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the district's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The *statement of activities* presents information showing how the district's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

Both of the government-wide financial statements display functions of the district that are principally supported by taxes and intergovernmental revenues (governmental activities). The activities of the district include instruction, support services, and transfers to locals and other services. The district has no business-type activities as of and for the year ended June 30, 2008.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The district, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the district fall within the governmental fund type category.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spend-able resources, as well as on balances of spend-able resources available at the end of the fiscal year. Such information may be useful in evaluating the district's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the district's near-term financing decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The district maintains seven different government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special education fund, and career and technical education fund, each of which are considered to be a major fund. Data from the other four government funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The district adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The governmental fund financial statements can be found on pages 3-4 and 6-7 of this report, with reconciliations between the two types of statements on pages 5 and 8.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgetary information for the district's major funds. Required supplementary information can be found on pages 23-26 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the supplementary information. Combining fund statements can be found on pages 27-28 of this report.

Our auditor has provided assurance in his independent auditor's report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the Required Supplementary Information and the Supplemental Information identified above. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

Government-wide Financial Analysis

The school district's net assets were \$11,763,665 at June 30, 2008. Of this amount, \$8,685,539 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the school district's ability to use those net assets for day-to-day operations.

As required by the Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present a comparative analysis of government-wide data for the fiscal years ended June 30, 2008 and 2007, respectively.

District's Net Assets

	<u>2008</u>	<u>2007</u>
Current assets	\$ 10,290,727	\$ 9,134,966
Non-current assets	\$ 3,347,342	\$ 3,478,295
Total Assets	\$ 13,638,069	\$ 12,613,261
Current liabilities	\$ 1,465,778	\$ 1,355,599
Non-current liabilities	\$ 408,629	\$ 627,532
Total Liabilities	\$ 1,874,403	\$ 1,983,131
Net Assets:		
Invested in capital assets, net of related debt	\$ 2,996,513	\$ 3,127,466
Restricted for capital projects	81,613	80,194
Unrestricted	\$ 8,685,536	\$ 7,422,470
Total Net Assets	\$ 11,763,662	\$ 10,630,130

At the end of the current fiscal year, the District was able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental-type activities.

District's Changes in Net Assets

Governmental Activities

REVENUE:	<u>2008</u>	<u>2007</u>
Program Revenue:		
Charges for services	\$ 709,350	\$ 668,010
Operating grants	\$ 1,829,219	\$ 1,842,211
General Revenue:		
Property taxes, levied for general purposes	\$ 7,436,965	\$ 7,043,029
Investment earnings	\$ 281,932	\$ 285,035
State sources	\$ 2,233,662	\$ 2,424,308
Other	\$ 1,125,539	\$ 720,985
Total Revenue	\$ 13,616,667	\$ 12,983,578
EXPENSES		
Instruction	\$ 3,506,159	\$ 3,437,130
Supporting Services	\$ 6,514,802	\$ 6,035,545
Community Services	\$ 49,517	\$ 37,657
Transfers to other districts	\$ 2,157,382	\$ 1,989,310
Interest & fees on long-term debt	\$ 9,975	\$ 8,928
Unallocated depreciation	\$ 245,300	\$ 266,714
Total Expenses	\$ 12,483,135	\$ 11,775,284
Governmental Activities Increase(Decrease) In Net Assets	\$ 1,133,532	\$ 1,208,294
Net Assets, Beginning of Year	\$ 10,630,130	\$ 9,421,836
Net Assets, End of Year	\$ 11,763,662	\$ 10,630,130

Major Governmental Funds Budgeting and Operating Highlights

The School districts budgets are prepared according to Michigan Law. The most significant budgeted funds are the general fund, special education fund, and career and technical education fund.

During the fiscal year ended June 30, 2008, the school district amended the budgets of these major governmental funds two times.

General Fund - the general fund actual revenue was \$1,490,460. That amount is above the original budget estimates of \$1,306,651 and above the final budget amendment of \$1,462,732. The variance between the actual revenue, the original budget, and the final budget was the result of an increase in local and federal revenue sources.

The actual expenditures of the general fund were \$1,281,171, which is above the original budget of \$1,225,546 and below the final amendment budget of \$1,367,721. The variance was due unspent allocations in restricted state programs and federal grants, in addition to normal year-end variances.

General fund had total revenues of \$1,490,460 and total expenditures of \$1,281,171 with an ending fund balance of \$1,195,020.

Special Education Fund- the special education fund actual revenue was \$ 8.70 million. That amount is above the original budget of \$ 8.29 million and above the final amendment of \$8.59 million. The variance was the result of an increase in local and federal revenue sources.

The actual expenditures of the special education fund were \$8.00 million, which is below the original budget of \$8.13 million and final amendment of \$ 8.38 million. The variance was the result of unspent federal grants, which will be carried forward to the 2008-09 fiscal year.

Special education fund had total revenue of \$ 8.7 million and total expenditures of \$8 million with an ending fund balance of \$6.5 million.

Career and Technical Education Fund- the career and technical education fund actual revenue was \$2.85 million. That amount is above the original budget of \$2.73 million and the final amendment of \$2.83 million. The variance was the result of the timing of receipts of revenues at the federal level.

The actual expenditures were \$2.54 million, which is below the original budget of \$2.71 million and above the final amendment of \$2.53 million. The variance is the result of normal year-end variances.

Technology education fund had total revenue of \$2.85 million and total expenditures of \$2.54 million with an ending fund balance of \$1.2 million.

Capital Asset and Debt Administration

Capital Assets - at the end of fiscal year 2008, the district had \$ 7.403 million invested in land, buildings, office, instructional, and transportation equipment. Of this amount, \$4.056 million in depreciation has been taken over the years. The district has net capital assets of \$3.347 million. Total additions for the year were \$114,347. Total deletions were \$13,211.

**District's Capital Assets
(Net of depreciation)
June 30, 2008**

Land	\$ 80,000
Buildings and improvements	5,014,579
Furniture and fixtures	588,602
Machinery and equipment	1,719,731
Subtotal-	\$ 7,402,912
Accumulated depreciation	\$ 4,055,570
Net capital Assets	\$ 3,347,342

Additional information on the District's capital assets can be found on page 18 of this report.

Long-term Debt

At the end of the current fiscal year, the district had total debt outstanding of \$350,829. None of this balance is a general obligation of the district and does not constitute an indebtedness of the district within any constitutional or statutory limitation, and is payable solely from state aid payments from the State of Michigan.

Economic Factors and Next Year's Budget

The economy in the State of Michigan continues to be sluggish. This sluggish economy could affect funding for the 2008-09 school year, as a pro-ration of State Aid is possible. The original budget established for the 2008-09 school year assumed State Aid revenues based on the funding levels in the 2007-08 revenue stream.

Requests for Information

The financial report is designed to provide a general overview of the district's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, Huron Intermediate School District, 711 E. Soper Road, Bad Axe, Michigan 48413.

BASIC FINANCIAL STATEMENTS

HURON INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 213,563
Investments	9,098,466
Property taxes receivable	23,491
Accounts receivable	14,326
Due from other governmental units	937,171
Prepaid expenses	3,710
TOTAL CURRENT ASSETS	10,290,727
NONCURRENT ASSETS:	
Capital assets	7,402,912
Less accumulated depreciation	(4,055,570)
TOTAL NONCURRENT ASSETS	3,347,342
TOTAL ASSETS	\$ 13,638,069
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	\$ 116,107
Salaries payable	616,136
Accrued expenses	31,286
Accrued interest	70,687
Deferred revenue	387,347
Other current liabilities	42,156
Current portion of long term debt	202,059
TOTAL CURRENT LIABILITIES	1,465,778
NONCURRENT LIABILITIES:	
Noncurrent portion of compensated absences	259,859
Noncurrent portion of long term debt	148,770
TOTAL NONCURRENT LIABILITIES	408,629
TOTAL LIABILITIES	1,874,407
NET ASSETS:	
Invested in capital assets, net of related debt	2,996,513
Restricted for capital projects	81,613
Unrestricted	8,685,536
TOTAL NET ASSETS	11,763,662
TOTAL LIABILITIES AND NET ASSETS	\$ 13,638,069

The accompanying notes are an integral part of the financial statements.

HURON INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	\$ 3,506,159		\$ 548,766	\$ (2,957,393)
Support services	6,514,802	\$ 709,350	1,280,453	(4,524,999)
Community services	49,517			(49,517)
Transfers to other governmental units	2,157,382			(2,157,382)
Interest on long-term debt	9,975		-	(9,975)
Unallocated depreciation	245,300			(245,300)
Total governmental activities	<u>\$ 12,483,135</u>	<u>\$ 709,350</u>	<u>\$ 1,829,219</u>	<u>(9,944,566)</u>
General revenues:				
Property taxes, levied for general purposes				7,436,965
State sources				2,233,662
Investment revenue				281,932
Transfers from other governmental units				97,377
Miscellaneous				<u>1,028,162</u>
Total general revenue				<u>11,078,098</u>
Change in net assets				1,133,532
Net assets, beginning of year				<u>10,630,130</u>
Net assets, end of year				<u>\$ 11,763,662</u>

The accompanying notes are an integral part of the financial statements.

HURON INTERMEDIATE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	SPECIAL REVENUE			
	GENERAL FUND	SPECIAL EDUCATION	CAREER TECH EDUCATION	ADULT EDUCATION
<u>ASSETS</u>				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 98,334	\$ 580	-	-
Investments	1,255,124	6,430,124	\$ 1,299,528	\$ 113,690
Accounts receivable	6,729	-	1,450	6,147
Due from other governmental units	256,469	627,052	31,365	22,285
Due from other funds	2,824	2,221	-	98
Prepaid expenses	2,760	-	950	-
TOTAL ASSETS	<u>\$ 1,622,240</u>	<u>\$ 7,059,977</u>	<u>\$ 1,333,293</u>	<u>\$ 142,220</u>
<u>LIABILITIES AND FUND BALANCE</u>				
LIABILITIES:				
Accounts payable	\$ 51,708	\$ 48,951	\$ 3,543	\$ 4,158
Due to other funds	-	-	5,143	-
Salaries payable	46,759	420,391	116,990	31,996
Accrued payroll liabilities	-	22,947	6,417	1,922
Deferred revenue	286,597	74,261	-	26,489
Other current liabilities	42,156	-	-	-
TOTAL LIABILITIES	<u>427,220</u>	<u>566,550</u>	<u>132,093</u>	<u>64,565</u>
FUND BALANCE:				
Reserved for Donation		25,000		
Unreserved:				
Designated for capital outlay				
Designated for unemployment				
Designated for compensated absences	34,011	141,869	76,904	7,075
Undesignated	1,161,009	6,326,558	1,124,296	70,580
TOTAL FUND BALANCE	<u>1,195,020</u>	<u>6,493,427</u>	<u>1,201,200</u>	<u>77,655</u>
TOTAL LIABILITIES & FUND BALANCE	<u>\$ 1,622,240</u>	<u>\$ 7,059,977</u>	<u>\$ 1,333,293</u>	<u>\$ 142,220</u>

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 114,649	\$ 213,563
	9,098,466
	14,326
	937,171
-	5,143
	3,710
<u>\$ 114,649</u>	<u>\$ 10,272,379</u>

\$ 7,747	\$ 116,107
	5,143
	616,136
	31,286
	387,347
	42,156
<u>7,747</u>	<u>1,198,175</u>

	25,000
81,613	81,613
25,289	25,289
	259,859
	<u>8,682,443</u>
<u>106,902</u>	<u>9,074,204</u>
<u>\$ 114,649</u>	<u>\$ 10,272,379</u>

HURON INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

Total Fund Balances - Governmental Funds	\$ 9,074,204
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.

Cost of capital assets	7,402,912
Accumulated depreciation	(4,055,570)

Long term liabilities are not due and payable in the current period and are not reported in the funds

Bonds payable- Durant	(350,829)
Compensated absences	(259,859)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(70,687)

Balance of taxes receivable at 6/30/08 less allowance for doubtful accounts	23,491
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Net Assets of Governmental Activities	<u>\$ 11,763,662</u>
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The accompanying notes are an integral part of the financial statements.

HURON INTERMEDIATE SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	SPECIAL REVENUE			
	GENERAL FUND	SPECIAL EDUCATION	CAREER TECH EDUCATION	ADULT EDUCATION
REVENUES:				
Local sources	\$ 628,860	\$ 6,103,781	\$ 2,224,204	\$ 496,214
State sources	726,818	1,185,906	309,585	11,353
Federal sources	59,905	1,391,504	169,646	208,164
TOTAL REVENUES	1,415,583	8,681,191	2,703,435	715,731
EXPENDITURES:				
Instruction	191,459	1,854,414	1,213,395	246,891
Student services		2,484,795	119,491	255,468
Instructional support	342,024	697,449	181,609	305
General administration	217,747	48,496	42,737	
School administration	152,766	206,598	324,248	5,159
Business administration	68,554	175,208	16,809	
Operation and maintenance	34,851	207,677	422,341	1,750
Transportation		95,425	406	
Other support services	120,476	103,187	172,006	140,664
Community services	28,606	7,474	-	13,437
Capital outlay				
Debt service				
TOTAL EXPENDITURES	1,156,483	5,880,723	2,493,042	663,674
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	259,100	2,800,468	210,393	52,057
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	150,294	
Operating transfers out	(14,696)	(119,540)	-	(16,058)
Transfers from other governmental units	74,877	22,500	-	
Transfers to other governmental units	(109,992)	(2,004,765)	(42,625)	
TOTAL OTHER FINANCING SOURCES (USES)	(49,811)	(2,101,805)	107,669	(16,058)
Excess of Revenues over Expenditures & Other Uses (Sources)	209,289	698,663	318,062	35,999
FUND BALANCE - BEGINNING OF YEAR	985,731	5,794,764	883,138	41,856
FUND BALANCE - END OF YEAR	\$ 1,195,020	\$ 6,493,427	\$ 1,201,200	\$ 77,855

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
\$ 1,949	\$ 9,455,008
	2,233,662
	1,829,219
1,949	13,517,889
	3,506,159
	2,859,754
	1,221,387
	308,980
	688,771
	260,571
	666,619
	95,831
7,747	544,080
-	49,517
-	-
-	-
7,747	10,201,669
(5,798)	3,316,220
	150,294
	(150,294)
	97,377
	(2,157,382)
-	(2,060,005)
(5,798)	1,256,215
112,700	7,817,989
\$ 106,902	\$ 9,074,204

HURON INTERMEDIATE SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
June 30, 2008

Total net change in fund balances--governmental funds	\$ 1,256,215
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(245,300)
Capital outlay	114,347

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	60,712
Accrued interest payable at the end of the year	(70,687)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Property tax receivable at the beginning of the year	(22,090)
Property tax receivable at the end of the year	23,491

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds:

Accrued absences at the beginning of the year	276,703
Accrued absences at the end of the year	(259,859)

Change in net assets of governmental activities	<u>\$ 1,133,532</u>
--	----------------------------

The accompanying notes are an integral part of the financial statements.

**HURON INTERMEDIATE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>TRUST & AGENCY</u>
<u>ASSETS</u>	
Cash	\$ 58,419
Investments	<u> </u>
TOTAL ASSETS	<u>\$ 58,419</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Due to other organizations	\$ 58,419
Due to general fund	<u> </u>
TOTAL LIABILITIES	<u>58,419</u>
Fund Balance:	
Reserved for programs	<u> </u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 58,419</u>

The accompanying notes are an integral part of the financial statements.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Huron Intermediate School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statements #14 and #39.

Based upon the application of these criteria, the basic financial statements of Huron Intermediate School District contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the district nor is the District a component unit of another entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has largely been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use, or directly benefit from goods or services by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Aid, certain revenue from the Intermediate School District and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - Invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District utilizes restricted resources to finance their respective, qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. These functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue). The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, (Continued):

Governmental Funds:

Governmental funds are those funds through which most school district functions are typically financed. The acquisition, use, and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *General Fund* is the District's primary administration fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects). The District's major special revenue funds consist of the Special Education, Career Technical Education, and Adult Education Funds.

The District reports the following nonmajor governmental funds:

The *Special Revenue Funds* that are considered nonmajor consist of the Unemployment Compensation Fund.

The *Debt Service Fund* accounts for the servicing of general long-term debt. Durant accounts for the resources accumulated and payments made for other revenue and interest on long-term limited obligation debt as a result of the Durant settlement.

The *Building and Site Fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

Fiduciary Funds:

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The District reports the following fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES. (Continued):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

The government-wide financial statements (statements of net assets; statements of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they were levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

Modified Accrual Method:

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded when payment is due.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:

The State of Michigan uses a foundation grant approach, which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2007.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2007 to August, 2008. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY:

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40 *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the Governmental Funds Balance Sheet.

3. Property Taxes.

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. School District property tax revenues are recognized when levied to the extent that they result in current receivables (collected within sixty days after year end). Amounts received subsequent to August 31 are recognized as revenue when collected.

For the year ended June 30, 2008, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund	0.1169
Special Revenue Funds:	
Special Education Fund	3.2886
Career Technical Education Fund	1.3431

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

4. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as followed:

Buildings and additions	50 years
Furniture and other equipment	5 – 15 years

The District's policy is to capitalize individual amounts exceeding \$5,000.

5. Compensated Absences.

Accumulated vacation and sick pay amounts, which are expected to be liquidated with expendable available resources (generally sixty days), are recorded in the governmental funds using the modified accrual basis of accounting.

It is the policy of the District to allow for accumulation of unused sick days. Upon death or retirement of a covered employee or upon an employee's voluntary termination after 15 years of continuous service, accumulated sick days become vested and are payable at one half of the employees current rate of pay for a maximum of 125 days for administrative and non-union support staff. Professional bargaining unit staff is paid 70% of the current substitute pay per day for a maximum of 105 days. An estimate of the present value of this liability has been recorded in the statement of net assets.

6. Unemployment Insurance.

The District reimburses the Bureau of Worker's & Unemployment Compensation (BW & UC) for the actual amount of unemployment benefits disbursed by the BW & UC on behalf of the District. Billings received for amounts paid by the BW & UC through June 30 are accrued, if material.

7. Long-term obligations.

The District reports long-term debt of governmental funds at face value in the statement of net assets. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the statement of net assets.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):

ASSETS, LIABILITIES AND EQUITY, (Continued):

8. Deferred Revenues:

The unexpended balance of various federal and/or state categorical grants is carried forward as deferred revenue until the period in which eligible expenditures are incurred. Other monies collected in advance are also deferred.

9. Retirement Plan.

Substantially all of the District's employees participate in the Michigan Public School Employee's Retirement System. See Note 8.

10. Fund Balance.

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of net current assets does not constitute "available spendable resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

11. Interfund Transactions.

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reduction of expenditures/expenses in the fund that is reimbursed.

12. Use of Estimates.

The process of preparing basic financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 2 – STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriated budgets are adopted for the general, special revenue, debt service and capital projects funds. All annual appropriations lapse at fiscal year end. The District does not maintain a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances – budget (GAAP basis) and actual – general, special revenue, and debt service.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the major funds are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.
7. Expenditures in the various major funds exceeded the budget on several line items as detailed on pages 23-26. These constitute PA 621 violations.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 3 - DEPOSITS AND INVESTMENTS – CREDIT RISK:

As of June 30, 2008 the District had the following investments.

Investment Type	Fair value	Weighted Average- Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	\$ 4,537,523	0.0027	AAAm	49.9%
MILAF External Investment pool -MIMAX	4,560,943	0.0027	AAAm	51.1%
Total fair value	<u>\$ 9,098,466</u>			<u>100.0%</u>
Portfolio weighted average maturity		<u>0.0027</u>		
1 day maturity equals 0.0027, one year equals 1.00				

The District voluntarily invests certain excess funds in external pooled investment funds, which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2008, the fair value of the District's investments is the same as the value of the pool shares.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs).

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$148,651 of the District's bank balance of \$248,651 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS – CREDIT RISK, (Continued):

The above amounts are reported in the financial statements as follows:

Cash Agency Fund	\$ 58,419
Cash - District wide	213,562
Investments - District wide	9,098,466
	<u>\$ 9,370,447</u>

NOTE 4 - CAPITAL ASSETS:

The following is a summary of changes in the capital assets during the fiscal year:

	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Assets not being depreciated – land	\$ 80,000			\$ 80,000
Other capital assets:				
Buildings	4,573,678		-	4,573,678
Improvements	440,901		-	440,901
Furniture & Fixtures	572,102	\$ 16,500	-	588,602
Machinery & Equipment	1,635,095	97,847	\$ 13,211	1,719,731
Subtotal other capital assets	7,221,776	114,347	13,211	7,322,912
Accumulated depreciation:				
Buildings	(1,613,598)	(80,664)		(1,694,262)
Improvements	(328,422)	(16,899)		(345,321)
Furniture & Fixtures	(477,307)	(10,577)		(487,884)
Machinery & Equipment	(1,404,154)	(137,160)	(13,211)	(1,528,103)
Total accumulated depreciation	(3,823,481)	(245,300)	\$ (13,211)	(4,055,570)
Net other capital assets:	3,398,295	(130,953)	-	3,267,342
Net Capital Assets	\$3,478,295	\$ (130,953)	-	\$ 3,347,342

Depreciation for the fiscal year ended June 30, 2008 amounted to \$245,300. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund payable and receivable balances at June 30, 2008 are as follows:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	\$ 2,824	
Special Revenue Fund:		
Special Education Fund	2,221	
Career Technical Education Fund		\$ 5,143
Adult Education Fund	98	
Total	\$ 5,143	\$ 5,143

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

NOTE 6 - LONG-TERM DEBT:

OUTSTANDING DEBT:

The following is a summary of long-term obligations for the District for the year ended June 30, 2008:

Limited obligation (Durant) bond, due in annual installments of \$34,640 - \$202,059 through May 2013, with interest of 4.76%.	\$ 350,829
Accumulated compensated absences	259,859
Total long-term debt	\$ 610,688

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2008 are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2009	\$ 202,059	\$ 78,277	\$280,336
2010	34,640	7,083	41,723
2011	36,290	5,434	41,724
2012	38,015	3,706	41,721
2013	39,825	1,897	41,721
2014	-	-	-
	350,829	96,397	447,225
Accumulated compensated absences	259,859	-	259,859
Total	\$ 610,688	\$ 96,397	\$707,084

An amount of \$0 is available in the debt service fund to service the general obligation debt.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 6 - LONG-TERM DEBT, (Continued):

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2008:

	ACCUMULATED SICK & VACATION PAY	GENERAL OBLIGATIONS
Long-term debt, July 1, 2007	\$ 276,703	\$ 350,829
Additions:		
Net increase (decrease) in accumulated compensated absences	(16,844)	
Deductions:		
Principal payments made	-	-
Long-term debt, June 30, 2008	\$ 259,859	\$ 350,829

Interest expense (all funds) for the years ended June 30, 2008 was \$9,975.

NOTE 7 - OPERATING LEASES:

The School District leases equipment under operating lease agreements that expire in June 2012. At June 30, 2008, future lease payments under this lease is as follows:

June 30, 2009	\$29,327
June 30, 2010	8,281
June 30, 2011	5,544
June 30, 2012	4,361
June 30, 2013	1,465

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 8 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

Funding Policy – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; and 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 was 17.74% through September 30, 2007 and 16.72% for October 1, 2007 through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the years ended June 30, 2008, 2007, and 2006 were \$868,930, \$49,587, and \$795,875, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits; it is the responsibility of the State of Michigan.

OTHER POST-EMPLOYMENT BENEFITS:

Also within the MPERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPERS with the balance deducted from the monthly pension.

NOTE 9 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**HURON INTERMEDIATE SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 10 – TRANSFERS:

Transfers were made between funds to supplement program costs. A summary is as follows:

	Transfers To	Transfers From
General Fund	\$ 14,696	
Special Education Fund	119,540	-
Adult Education Fund	16,058	
Career Technical Education Fund	-	\$ 150,294
Total	\$ 150,294	\$ 150,294

Transfers were made between funds to subsidize programs and to reimburse shared administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 382,553	\$ 470,502	\$ 628,860	\$ 158,358
State sources	734,115	684,793	726,818	42,025
Federal sources	16,783	79,004	59,905	(19,099)
TOTAL REVENUE	1,133,451	1,234,299	1,415,583	181,284
EXPENDITURES:				
Instruction	199,562	193,994	191,459	2,535
Supporting services:				
Instructional staff	335,504	409,545	342,024	67,521
General administration	213,613	207,095	217,747	(10,652)
School administration	141,743	143,269	152,766	(9,497)
Business administration	30,373	70,342	68,554	1,788
Operation and maintenance	50,500	70,000	34,851	35,149
Other support services	119,622	127,963	120,476	7,487
Community services	12,100	29,450	28,608	844
TOTAL EXPENDITURES	1,103,017	1,251,657	1,156,483	95,174
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	30,434	(17,358)	259,100	276,458
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(46,083)	(30,477)	(14,696)	15,781
Transfers from other funds	-	-	-	-
Transfers to other governmental units	(76,210)	(85,587)	(109,992)	(24,405)
Transfers from other governmental units	183,200	228,433	74,877	(153,556)
Insurance reimbursements	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	60,907	112,369	(49,811)	(162,180)
Excess of Revenues over Expenditures & Other Uses (Sources)	91,341	95,011	209,289	114,278
FUND BALANCE - JULY 1	985,731	985,731	985,731	-
FUND BALANCE - JUNE 30	\$ 1,077,072	\$ 1,080,742	\$ 1,195,020	\$ 114,278

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 5,579,138	\$ 5,951,116	\$ 6,103,781	\$ 152,665
State sources	1,268,277	1,185,906	1,185,906	(0)
Federal sources	1,446,351	1,455,534	1,391,504	(64,030)
TOTAL REVENUE	8,293,766	8,592,556	8,681,191	88,635
EXPENDITURES:				
Instruction	1,953,464	1,933,448	1,854,414	79,034
Supporting services				
Student services	2,579,531	2,467,430	2,484,795	(17,365)
Instructional support	777,241	710,125	697,449	12,676
General administration	72,601	77,622	48,496	29,126
School administration	123,405	194,504	206,598	(12,094)
Business administration	131,089	182,712	175,208	7,504
Operation & maintenance	275,003	262,216	207,677	54,539
Transportation	106,525	105,225	95,425	9,800
Other support services	102,652	115,698	103,187	12,511
Community services	1,000	6,325	7,474	(1,149)
TOTAL EXPENDITURES	6,122,511	6,055,306	5,880,723	174,583
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	2,171,255	2,537,250	2,800,468	263,218
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	(46,694)	(118,459)	(119,540)	(1,081)
Transfers to other governmental units	(1,972,719)	(2,210,635)	(2,004,765)	205,870
Transfers from other governmental units	-	-	22,500	22,500
TOTAL OTHER FINANCING SOURCES (USES)	(2,019,413)	(2,329,094)	(2,101,805)	227,289
Excess of Revenues over Expenditures & other Uses (Sources)	151,842	208,156	698,663	490,507
FUND BALANCE - JULY 1	5,794,764	5,794,764	5,794,764	-
FUND BALANCE - JUNE 30	\$ 5,946,606	\$ 6,002,920	\$ 6,493,427	\$ 490,507

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
CAREER TECH EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	BUDGET			VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)
	ORIGINAL	FINAL	ACTUAL	
REVENUE:				
Local sources	\$ 2,091,402	\$ 2,219,463	\$ 2,224,204	\$ 4,741
State sources	321,494	291,090	309,585	18,495
Federal sources	180,754	169,646	169,646	-
TOTAL REVENUE	2,593,650	2,680,199	2,703,435	23,236
EXPENDITURES:				
Instruction	1,295,901	1,235,825	1,213,395	22,430
Supporting services				
Student services	126,187	121,930	119,491	2,438
Instructional support	196,924	189,792	181,609	8,183
General administration	42,166	44,133	42,737	1,396
School administration	321,403	310,915	324,248	(13,333)
Business administration	14,847	17,693	16,809	884
Operation & maintenance	436,776	418,025	422,341	(4,316)
Transportation	4,262	4,262	406	3,856
Other support services	224,288	186,605	172,006	14,599
Community services	-	-	-	-
TOTAL EXPENDITURES	2,662,754	2,529,179	2,493,042	36,137
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	(69,104)	151,020	210,393	59,373
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	-	-	-
Transfers from other funds	135,277	148,936	150,294	1,358
Transfers to other governmental units	(45,497)	(1,562)	(42,625)	(41,063)
TOTAL OTHER FINANCING SOURCES (USES)	89,780	147,374	107,669	(39,705)
Excess of Revenues over Expenditures & other Uses (Sources)	20,676	298,394	318,062	19,668
FUND BALANCE - JULY 1	883,138	883,138	883,138	-
FUND BALANCE - JUNE 30	\$ 903,814	\$ 1,181,532	\$ 1,201,200	\$ 19,668

HURON INTERMEDIATE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
ADULT EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE- WITH FINAL BUDGET- FAVORABLE (UNFAVORABLE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUE:				
Local sources	\$ 234,000	\$ 542,844	\$ 496,214	\$ (46,630)
State sources	33,322	9,002	11,353	2,351
Federal sources	280,623	253,741	208,164	(45,577)
TOTAL REVENUE	547,945	805,588	715,731	(89,857)
EXPENDITURES:				
Instruction	220,550	270,627	246,891	23,736
Supporting services				
Student services	214,647	254,940	255,468	(528)
Instructional support	445	-	305	(305)
School administration	22,753	5,259	5,159	100
Operation & maintenance	20,011	4,561	1,750	2,811
Other	-	230,000	140,664	89,336
Community services	12,000	14,256	13,437	819
TOTAL EXPENDITURES	490,406	779,643	663,674	115,969
EXCESS (DEFICIT) OF REVENUE OVER (UNDER) EXPENDITURES	57,539	25,944	52,057	26,113
OTHER FINANCING SOURCES (USES):				
Transfers to other funds	-	(15,913)	(16,058)	(145)
TOTAL OTHER FINANCING SOURCES (USES)	-	(15,913)	(16,058)	(145)
Excess of Revenues over Expenditures & other Uses (Sources)	57,539	10,031	35,999	25,968
FUND BALANCE - JULY 1	41,656	41,656	41,656	-
FUND BALANCE - JUNE 30	\$ 99,195	\$ 51,687	\$ 77,655	\$ 25,968

ADDITIONAL INFORMATION

**HURON INTERMEDIATE SCHOOL DISTRICT
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	UNEMPLOYMENT COMPENSATION FUND	DURANT BOND DEBT RETIREMENT	BUILDING AND SITE	TOTAL
ASSETS				
Cash and cash equivalents	\$ 33,036		\$ 81,613	\$ 114,649
Due from other funds			-	-
Due from other governmental units	-			-
TOTAL ASSETS	\$ 33,036	\$ -	\$ 81,613	\$ 114,649
LIABILITIES				
Accounts payable	\$ 7,747		\$ -	\$ 7,747
TOTAL LIABILITIES	7,747	-	-	7,747
FUND BALANCES				
Reserved for unemployment	25,289			25,289
Reserved for capital projects			81,613	81,613
TOTAL FUND BALANCES	25,289	-	81,613	106,902
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,036	\$ -	\$ 81,613	\$ 114,649

HURON INTERMEDIATE SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - OTHER GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	<u>UNEMPLOYMENT COMPENSATION FUND</u>	<u>DURANT BOND DEBT RETIREMENT</u>	<u>BUILDING AND SITE</u>	<u>TOTAL</u>
REVENUES:				
Local sources	<u>\$ 530</u>		<u>\$ 1,419</u>	<u>\$ 1,949</u>
TOTAL REVENUES	530	-	1,419	1,949
OTHER FINANCING SOURCES				
Transfers from other funds	-		-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>530</u>	<u>-</u>	<u>1,419</u>	<u>1,949</u>
EXPENDITURES:				
Current:				
Instruction				-
Supporting services	7,747			7,747
Community Services				-
Capital projects			-	-
TOTAL EXPENDITURES	7,747	-	-	7,747
OTHER FINANCING USES				
Transfers to other funds	-		-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>7,747</u>	<u>-</u>	<u>-</u>	<u>7,747</u>
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	<u>(7,217)</u>	<u>-</u>	<u>1,419</u>	<u>(5,798)</u>
FUND BALANCE - JULY 1	<u>32,506</u>	<u>-</u>	<u>80,194</u>	<u>112,700</u>
FUND BALANCE - JUNE 30	<u>\$ 25,289</u>	<u>\$ -</u>	<u>\$ 81,613</u>	<u>\$ 106,902</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 184,165	\$ 183,868	\$ (297)
Income on investments and deposits	30,000	37,418	7,418
Other local revenues	<u>256,336</u>	<u>407,574</u>	<u>151,238</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>470,502</u>	<u>628,860</u>	<u>158,358</u>
REVENUE FROM STATE SOURCES:			
State aid- sec 81	458,046	468,026	9,980
Math and science challenge grant- sec 99.1	58,759	58,759	-
Durant	26,944	26,945	1
Renaissance zone	(556)	417	973
School readiness	153,000	153,000	-
Other state revenues	<u>(11,400)</u>	<u>19,671</u>	<u>31,071</u>
TOTAL REVENUES FROM STATE SOURCES	<u>684,793</u>	<u>726,818</u>	<u>42,025</u>
REVENUE FROM FEDERAL SOURCES:			
Title I	-	-	-
Title V	304	304	-
Other federal revenues	<u>78,700</u>	<u>59,601</u>	<u>(19,099)</u>
TOTAL REVENUES FROM FEDERAL SOURCES	<u>79,004</u>	<u>59,905</u>	<u>(19,099)</u>
TOTAL REVENUES	<u>1,234,299</u>	<u>1,415,583</u>	<u>181,284</u>
OTHER FINANCING SOURCES			
Transfers from other funds	-	-	-
Transfer from other governmental units	<u>228,433</u>	<u>74,877</u>	<u>(153,556)</u>
TOTAL OTHER FINANCING SOURCES	<u>228,433</u>	<u>74,877</u>	<u>(153,556)</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 1,462,731</u>	<u>\$ 1,490,460</u>	<u>\$ 27,729</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 82,548	\$ 81,758	\$ 790
Salaries- non-professional	27,477	29,223	(1,746)
Insurances	38,455	39,744	(1,289)
Fica, retirement, and other benefits	21,850	22,436	(586)
Purchased services	16,865	15,576	1,289
Supplies and materials	6,800	2,722	4,078
TOTAL INSTRUCTION	<u>193,994</u>	<u>191,459</u>	<u>2,535</u>
SUPPORTING SERVICES:			
Instructional Support			
Salaries- professional	129,413	128,770	643
Salaries- non-professional	13,806	15,563	(1,757)
Insurances	31,017	33,150	(2,133)
Fica, retirement, and other benefits	34,681	35,258	(577)
Purchased services	175,894	108,020	67,874
Supplies and materials	24,484	21,035	3,449
Other	250	228	22
Total Instructional Support	<u>409,545</u>	<u>342,024</u>	<u>67,521</u>
General Administration			
Salaries- professional	63,577	69,539	(5,962)
Salaries- non-professional	8,854	10,472	(1,618)
Insurances	13,418	12,775	643
Fica, retirement, and other benefits	27,096	27,222	(126)
Purchased services	63,650	60,380	3,270
Supplies and materials	13,690	18,720	(5,030)
Other	16,810	18,639	(1,829)
Total General Administration	<u>207,095</u>	<u>217,747</u>	<u>(10,652)</u>
School Administration			
Salaries- professional	50,475	61,887	(11,412)
Salaries- non-professional	35,374	35,374	0
Insurances	27,456	27,708	(252)
Fica, retirement, and other benefits	21,214	22,093	(879)
Supplies and materials	2,000	1,658	342
Purchased services	6,000	3,702	2,298
Other	750	344	406
Total School Administration	<u>143,269</u>	<u>152,766</u>	<u>(9,497)</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Business Administration			
Salaries- professional	\$ 24,745	\$ 24,745	\$ 0
Salaries- non-professional	6,648	6,750	(102)
Insurances	12,950	9,371	3,579
Fica, retirement, and other benefits	8,178	11,101	(2,923)
Supplies and materials	-	-	-
Purchased services	17,320	16,587	733
Other	500	-	500
Total Business Administration	<u>70,342</u>	<u>68,554</u>	<u>1,788</u>
Operation and Maintenance			
Purchased services	24,500	14,538	9,962
Supplies and materials	8,500	4,191	4,309
Capital outlay	37,000	16,122	20,878
Total Operation and Maintenance	<u>70,000</u>	<u>34,851</u>	<u>35,149</u>
Other Support Services			
Salaries- professional	-	-	-
Salaries- non-professional	48,193	48,298	(105)
Insurances	-	-	-
Fica, retirement, and other benefits	16,577	14,484	2,093
Purchased services	36,100	30,595	5,505
Supplies and materials	-	-	-
Capital outlay	26,944	26,945	(1)
Other	150	154	(4)
Total Other Support Services	<u>127,963</u>	<u>120,476</u>	<u>7,487</u>
TOTAL SUPPORT SERVICES	<u>1,028,213</u>	<u>936,418</u>	<u>91,795</u>
COMMUNITY SERVICES			
Salaries- professional	4,500	4,640	(140)
Salaries- non-professional	250	225	25
Insurances	-	-	-
Fica, retirement, and other benefits	200	155	45
Purchased services	16,500	15,933	567
Supplies and materials	8,000	7,653	347
TOTAL COMMUNITY SERVICES	<u>29,450</u>	<u>28,606</u>	<u>844</u>
TOTAL EXPENDITURES	<u>1,251,657</u>	<u>1,156,483</u>	<u>95,174</u>
OTHER FINANCING USES			
Transfers to other funds	30,477	14,696	15,781
Transfers to other governmental units	85,587	109,992	(24,405)
TOTAL OTHER FINANCING USES	<u>116,064</u>	<u>124,688</u>	<u>(8,624)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$1,367,721</u>	<u>\$1,281,171</u>	<u>\$ 86,550</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND REVENUE
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 5,171,919	\$ 5,172,514	\$ 595
Earnings on investments and deposits	200,000	215,778	15,778
Medicaid	550,000	674,504	124,504
Other local revenues	29,196	40,985	11,789
TOTAL REVENUE FROM LOCAL SOURCES	<u>5,951,116</u>	<u>6,103,781</u>	<u>152,665</u>
REVENUE FROM STATE SOURCES:			
Special education	1,185,906	1,185,906	-
Other state sources	-	-	-
TOTAL REVENUE FROM STATE SOURCES	<u>1,185,906</u>	<u>1,185,906</u>	<u>-</u>
REVENUE FROM FEDERAL SOURCES:			
B.E.S.T. grant	-	-	-
94-142 revenues	1,215,825	1,204,489	(11,336)
State initiated grants	45,000	45,000	-
Strong families, safe children	1,111	-	(1,111)
Preschool incentive	90,898	52,785	(38,113)
Regional collaborative	36,700	36,700	-
Medicare outreach	50,000	50,414	414
Other federal revenues	16,000	2,116	(13,884)
TOTAL REVENUE FROM FEDERAL SOURCES	<u>1,455,534</u>	<u>1,391,504</u>	<u>(64,030)</u>
TOTAL REVENUES	<u>8,592,556</u>	<u>8,681,191</u>	<u>88,635</u>
OTHER FINANCING SOURCES:			
Transfers from other governmental units	-	22,500	22,500
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>22,500</u>	<u>22,500</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u><u>\$ 8,592,556</u></u>	<u><u>\$ 8,703,691</u></u>	<u><u>\$ 111,135</u></u>

**HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION:			
Salaries- professional	\$ 444,526	\$ 444,537	\$ (11)
Salaries- non-professional	571,035	542,298	28,737
Insurances	541,354	508,878	32,478
Fica, retirement, and other benefits	250,592	243,518	7,074
Purchased services	73,100	64,247	8,853
Supplies and materials	25,199	24,297	902
Capital outlay	26,442	25,533	909
Other	1,200	1,108	92
TOTAL INSTRUCTION	<u>1,933,448</u>	<u>1,854,414</u>	<u>79,034</u>
SUPPORTING SERVICES			
Student Services			
Salaries- professional	1,360,291	1,387,499	(27,208)
Salaries- non-professional	39,658	76,230	(36,572)
Insurances	368,662	329,782	38,880
Fica, retirement, and other benefits	341,075	361,001	(19,926)
Purchased services	318,032	300,361	17,671
Supplies and materials	35,383	26,155	9,228
Capital outlay	4,320	3,767	562
Total Student Services	<u>2,467,430</u>	<u>2,484,795</u>	<u>(17,365)</u>
Instructional Support			
Salaries- professional	138,741	137,883	858
Salaries- non-professional	118,692	122,255	(3,563)
Insurances	72,302	62,167	10,135
Fica, retirement, and other benefits	62,110	63,246	(1,136)
Purchased services	186,980	185,022	1,958
Supplies and materials	82,300	70,982	11,318
Capital outlay	2,100	1,182	918
Other	46,900	54,712	(7,812)
Total Instructional Support	<u>710,125</u>	<u>697,449</u>	<u>12,676</u>
General Administration			
Salaries- professional	62,577	31,775	30,802
Salaries- non-professional	-	-	-
Insurances	4,348	5,054	(706)
Fica, retirement, and other benefits	10,697	11,667	(970)
Purchased Services	-	-	-
Supplies and materials	-	-	-
Total General Administration	<u>77,622</u>	<u>48,496</u>	<u>29,126</u>
School Administration			
Salaries- professional	79,246	87,307	(8,061)
Salaries- non-professional	-	-	-
Insurances	18,807	24,211	(5,404)
Fica, retirement, and other benefits	19,495	18,591	904
Purchased services	60,140	59,352	788
Supplies and materials	16,300	16,621	(321)
Capital outlay	516	516	-
Total School Administration	<u>194,504</u>	<u>206,596</u>	<u>(12,094)</u>

HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF SPECIAL EDUCATION FUND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES (Continued)			
Business Administration			
Salaries- professional	\$ 34,308	\$ 34,308	\$ 0
Salaries- non-professional	72,487	73,594	(1,107)
Insurances	41,585	40,313	1,272
Fica, retirement, and other benefits	31,234	24,565	6,669
Purchased services	3,100	2,430	670
Total Business Administration	<u>182,712</u>	<u>175,208</u>	<u>7,504</u>
Operation and Maintenance			
Salaries- professional	-	-	-
Salaries- non-professional	48,298	42,265	6,033
Insurances	51,708	17,347	34,361
Fica, retirement, and other benefits	13,481	11,628	1,853
Purchased services	83,750	62,062	21,688
Supplies and materials	38,000	37,048	952
Capital outlay	27,000	37,327	(10,327)
Total Operation and Maintenance	<u>262,216</u>	<u>207,677</u>	<u>54,539</u>
Transportation			
Salaries- non-professional	14,000	18,048	(4,048)
Insurances	-	-	-
Fica, retirement, and other benefits	225	52	173
Purchased services	85,500	71,787	13,713
Supplies and materials	5,500	5,538	(38)
Capital outlay	-	-	-
Other	-	-	-
Total Transportation	<u>105,225</u>	<u>95,425</u>	<u>9,800</u>
Other Support Services			
Salaries- professional	75,754	72,932	2,822
Salaries- non-professional	3,000	1,354	1,646
Insurances	4,730	3,987	743
Fica, retirement, and other benefits	18,438	17,434	1,004
Purchased services	13,027	7,293	5,734
Supplies and materials	750	187	563
Total Other Support Services	<u>115,698</u>	<u>103,187</u>	<u>12,511</u>
TOTAL SUPPORT SERVICES	<u>4,115,532</u>	<u>4,018,835</u>	<u>96,697</u>
COMMUNITY SERVICES			
Purchased services	6,325	5,059	1,266
Insurances	-	1,347	(1,347)
Fica, retirement, and other benefits	-	1,068	(1,068)
Supplies and materials	-	-	-
TOTAL COMMUNITY SERVICES	<u>6,325</u>	<u>7,474</u>	<u>(1,149)</u>
TOTAL EXPENDITURES	<u>6,055,306</u>	<u>5,880,723</u>	<u>174,583</u>
OTHER FINANCING USES			
Transfers to other governmental units	2,210,635	2,004,765	205,870
Transfers to other funds	118,459	119,540	(1,081)
Loan Payments	-	-	-
TOTAL OTHER FINANCING USES	<u>2,329,094</u>	<u>2,124,305</u>	<u>204,789</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 8,384,400</u>	<u>\$ 8,005,028</u>	<u>\$ 379,372</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
CAREER TECHNICAL EDUCATION FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Property tax levy	\$ 2,088,675	\$ 2,079,182	\$ (9,493)
Taxes other than property	24,000	33,329	9,329
Earnings on investments and deposits	22,000	24,953	2,953
Tuition	11,000	11,852	852
Other local revenues	73,788	74,888	1,100
TOTAL REVENUE FROM LOCAL SOURCES	<u>2,219,463</u>	<u>2,224,204</u>	<u>4,741</u>
REVENUE FROM STATE SOURCES:			
State aid- sec 81	148,740	148,740	-
State aid- special ed	142,350	160,845	18,495
Durant	-	-	-
Other state sources	-	-	-
TOTAL REVENUE FROM STATE SOURCES	<u>291,090</u>	<u>309,585</u>	<u>18,495</u>
REVENUE FROM FEDERAL SOURCES:			
Career pathways	82,500	82,500	-
Tech prep grant	24,484	24,484	-
Other federal revenues	62,662	62,662	-
TOTAL REVENUE FROM FEDERAL SOURCES	<u>169,646</u>	<u>169,646</u>	<u>-</u>
TOTAL REVENUES	<u>2,680,199</u>	<u>2,703,435</u>	<u>23,236</u>
OTHER FINANCING SOURCES:			
Transfers from other funds	148,936	150,294	1,358
Transfers from other governmental units	-	-	-
Donated items	-	-	-
TOTAL OTHER FINANCING SOURCES	<u>148,936</u>	<u>150,294</u>	<u>1,358</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 2,829,135</u>	<u>\$ 2,853,729</u>	<u>\$ 24,594</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
CAREER TECHNICAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 573,233	\$ 576,718	\$ (3,485)
Salaries- non-professional	83,245	88,261	(3,016)
Insurances	228,861	208,902	19,959
Fica, retirement, and other benefits	161,544	168,005	(4,461)
Purchased services	23,100	18,567	4,533
Supplies and materials	76,971	74,394	2,577
Capital outlay	88,695	82,304	6,391
Other	175	184	(9)
TOTAL INSTRUCTION	<u>1,235,826</u>	<u>1,213,395</u>	<u>22,430</u>
SUPPORTING SERVICES:			
Student Services			
Salaries- professional	90,206	90,277	(71)
Insurances	7,879	5,959	1,920
Fica, retirement, and other benefits	20,934	21,173	(179)
Purchased services	1,550	2,006	(456)
Supplies and materials	1,500	76	1,424
Capital outlay	-	-	-
Other	-	-	-
Total Student Services	<u>121,930</u>	<u>119,491</u>	<u>2,438</u>
Instructional Support			
Salaries- professional	50,475	61,887	(11,412)
Salaries- non-professional	24,277	25,438	(1,161)
Insurances	29,785	28,529	1,256
Fica, retirement, and other benefits	18,355	19,637	(1,282)
Purchased services	62,100	41,848	20,252
Supplies and materials	1,750	1,508	242
Capital outlay	-	-	-
Other	3,090	2,762	288
Total Instructional Support	<u>189,792</u>	<u>181,600</u>	<u>8,183</u>
General Administration			
Salaries- professional	31,289	31,775	(487)
Salaries- non-professional	800	-	800
Insurances	4,348	2,006	1,442
Fica, retirement, and other benefits	7,697	8,058	(359)
Purchased services	-	-	-
Total General Administration	<u>44,133</u>	<u>42,737</u>	<u>1,396</u>
School Administration			
Salaries- professional	168,153	186,420	(18,267)
Salaries- non-professional	25,320	26,424	(1,095)
Insurances	51,828	46,285	5,533
Fica, retirement, and other benefits	47,885	49,881	(2,226)
Purchased services	7,800	6,637	1,163
Supplies and materials	10,000	8,241	1,760
Capital outlay	-	-	-
Other	340	340	-
Total School Administration	<u>310,915</u>	<u>324,248</u>	<u>(13,333)</u>
Business Administration			
Salaries- professional	3,146	3,146	0
Salaries- non-professional	8,848	6,750	(1,022)
Insurances	3,814	2,888	1,126
Fica, retirement, and other benefits	2,865	3,841	(1,076)
Purchased services	520	160	360
Other	700	124	576
Total Business Administration	<u>17,893</u>	<u>16,809</u>	<u>884</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
CAREER TECHNICAL EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation and Maintenance			
Salaries- non-professional	\$ 100,869	\$ 112,505	\$ (11,637)
Insurances	51,995	48,448	3,547
Fica, retirement, and other benefits	26,379	29,600	(3,221)
Purchased services	101,823	94,322	7,501
Supplies and materials	118,500	115,285	3,215
Capital Outlay	18,460	22,180	(3,720)
Total Operation and Maintenance	418,025	422,341	(4,316)
Transportation			
Salaries- non-professional	200	326	(126)
Fica, retirement, and other benefits	62	80	(18)
Purchased services	4,000	-	4,000
Total Transportation	4,262	406	3,856
Other Support Services			
Salaries- professional	-	-	-
Salaries- non-professional	103,317	104,511	(1,194)
Insurances	38,171	23,452	14,719
Fica, retirement, and other benefits	25,416	25,710	(294)
Purchased services	9,200	8,011	1,189
Supplies and materials	9,000	8,902	98
Capital outlay	1,500	1,420	80
Total Other Support Services	186,605	172,006	14,599
TOTAL SUPPORTING SERVICES	1,293,355	1,279,647	13,708
COMMUNITY SERVICES			
Salaries- professional	-	-	-
Insurances	-	-	-
Fica, retirement, and other benefits	-	-	-
TOTAL COMMUNITY SERVICES	-	-	-
TOTAL EXPENDITURES	2,529,179	2,493,042	36,137
OTHER FINANCING USES			
Transfers to other funds	-	-	-
Transfers to other governmental units	1,562	42,625	(41,063)
Payments on loans	-	-	-
TOTAL OTHER FINANCING USES	1,562	42,625	(41,063)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$2,530,741	\$2,535,667	\$ (4,926)

**HURON INTERMEDIATE SCHOOL DISTRICT
ADULT EDUCATION FUND
SCHEDULE OF REVENUE
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUE FROM LOCAL SOURCES:			
Earnings on investments and deposits	\$ 1,000	\$ 1,834	\$ 834
Tuition	22,000	15,101	(6,899)
Enrichment revenues	10,000	7,893	(2,107)
Other local revenues	<u>509,844</u>	<u>471,386</u>	<u>(38,458)</u>
TOTAL REVENUE FROM LOCAL SOURCES	<u>542,844</u>	<u>496,214</u>	<u>(46,630)</u>
REVENUE FROM STATE SOURCES:			
State aid- section 81	9,980	-	(9,980)
State aid- section 107	(978)	(978)	(0)
Michigan works	-	12,331	12,331
Other state sources	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUE FROM STATE SOURCES	<u>9,002</u>	<u>11,353</u>	<u>2,351</u>
REVENUE FROM FEDERAL SOURCES:			
MI works staffing grant	240,000	182,999	(57,001)
Strong families & safe children	4,501	2,275	(2,226)
Career pathways	-	10,425	10,425
Adult education grant	-	-	-
Other federal sources	<u>9,240</u>	<u>12,465</u>	<u>3,225</u>
TOTAL REVENUE FROM FEDERAL SOURCES	<u>253,741</u>	<u>208,164</u>	<u>(45,577)</u>
TOTAL REVENUES	805,588	715,731	(89,857)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$805,588</u>	<u>\$715,731</u>	<u>\$ (89,857)</u>

HURON INTERMEDIATE SCHOOL DISTRICT
ADULT EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
INSTRUCTION			
Salaries- professional	\$ 134,825	\$ 132,672	\$ 2,153
Salaries- non-professional	11,648	7,046	4,602
Insurances	51,731	41,417	10,314
Fica, retirement, and other benefits	35,048	34,152	896
Purchased services	26,550	23,246	3,304
Supplies and materials	9,575	7,231	2,344
Capital outlay	1,000	870	130
Other	250	257	(7)
TOTAL INSTRUCTION	<u>270,627</u>	<u>246,891</u>	<u>23,736</u>
SUPPORTING SERVICES:			
Student Services			
Salaries- professional	28,757	34,415	(5,658)
Salaries- non-professional	118,997	118,847	150
Insurances	67,763	60,686	7,077
Fica, retirement, and other benefits	36,324	37,553	(1,229)
Purchased services	100	1,153	(1,053)
Supplies and materials	3,000	2,814	186
Capital outlay	-	-	-
Other	-	-	-
Total Student Services	<u>254,940</u>	<u>255,468</u>	<u>(528)</u>
Instructional Support			
Salaries- non-professional	-	-	-
Fica, retirement, and other benefits	-	-	-
Purchased services	-	305	(305)
Total Instructional Support	<u>-</u>	<u>305</u>	<u>(305)</u>
School Administration			
Salaries- professional	-	-	-
Salaries- non-professional	2,162	1,777	385
Fica, retirement, and other benefits	538	453	85
Purchased services	2,400	2,769	(369)
Supplies and materials	-	-	-
Capital outlay	-	-	-
Other	160	160	-
Total School Administration	<u>5,259</u>	<u>5,159</u>	<u>100</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
ADULT EDUCATION FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
SUPPORTING SERVICES, (Continued):			
Operation and Maintenance			
Salaries- non-professional	\$ 1,800	\$ 302	\$ 1,498
Fica, retirement, and other benefits	561	83	478
Purchased services	1,950	703	1,247
Supplies and materials	250	662	(412)
Capital Outlay	-	-	-
Total Operation and Maintenance	<u>4,561</u>	<u>1,750</u>	<u>2,811</u>
Other Support Services			
Salaries- professional	38,000	2,820	35,180
Fica, retirement, and other benefits	-	691	(691)
Purchased services	15,000	14,242	758
Supplies and materials	6,000	5,849	151
Capital Outlay	171,000	117,062	53,938
Total Other Support Services	<u>230,000</u>	<u>140,664</u>	<u>89,336</u>
TOTAL SUPPORTING SERVICES	<u>494,760</u>	<u>403,346</u>	<u>91,414</u>
COMMUNITY SERVICES			
Salaries- professional	5,200	4,745	455
Fica, retirement, and other benefits	1,396	1,169	227
Purchased services	2,760	2,628	132
Supplies and materials	1,600	1,628	(28)
Other	3,300	3,267	33
TOTAL COMMUNITY SERVICES	<u>14,256</u>	<u>13,437</u>	<u>819</u>
TOTAL EXPENDITURES	<u>779,643</u>	<u>663,674</u>	<u>115,969</u>
OTHER FINANCING USES			
Transfers to other funds	15,913	16,058	(145)
TOTAL OTHER FINANCING USES	<u>15,913</u>	<u>16,058</u>	<u>(145)</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 795,557</u>	<u>\$ 679,732</u>	<u>\$ 115,825</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
ALL AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN
ASSETS & LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>BALANCE</u> <u>JULY 1, 2007</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2008</u>
<u>STUDENT ACTIVITY FUND</u>				
ASSETS				
Cash & cash equivalent investments	<u>\$ 63,234</u>	<u>\$ 146,552</u>	<u>\$ 151,367</u>	<u>\$ 58,419</u>
LIABILITIES				
Due to school groups & General Fund	<u>\$ 63,234</u>	<u>\$ 146,552</u>	<u>\$ 151,367</u>	<u>\$ 58,419</u>

**HURON INTERMEDIATE SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT - DURANT BOND
June 30, 2008**

\$594,168 Durant Bond issued November 24, 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR	
		JUNE 30	AMOUNT
\$ 202,059	\$ 78,277	2009	\$ 280,336
34,640	7,083	2010	41,723
36,290	5,434	2011	41,724
38,015	3,706	2012	41,721
39,824	1,897	2013	41,721
<u>\$ 350,829</u>	<u>\$ 96,397</u>		<u>\$ 447,226</u>

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

HURON INTERMEDIATE SCHOOL DISTRICT

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

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Timothy Franzel

Robert L. Tuckey, CPA

September 19, 2008

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Huron Intermediate School District
Bad Axe, MI 48413

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huron Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise Huron Intermediate School District's basic financial statements of the District's primary government and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Huron Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Huron Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Huron Intermediate School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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Office locations in Caro,
Cass City & Marlette

To the Board of Education
September 19, 2008

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Huron Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Huron Intermediate School District in a separate letter dated September 19, 2008.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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September 19, 2008

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Huron Intermediate School District
Bad Axe, MI 48413

COMPLIANCE

We have audited the compliance of Huron Intermediate School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Huron Intermediate School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Huron Intermediate School District's management. Our responsibility is to express an opinion on Huron Intermediate School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Huron Intermediate School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Huron Intermediate School District's compliance with those requirements.

In our opinion, Huron Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

INTERNAL CONTROL OVER COMPLIANCE

The management of Huron Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Huron Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on the effectiveness of Huron Intermediate School District's internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

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To the Board of Education
September 19, 2008

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Huron Intermediate School District as of and for the year ended June 30, 2008, and have issued our report thereon dated September 19, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Huron Intermediate School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF EDUCATION: Passed through Michigan Dept. of Education: Public Law 94-142	84.027	0704500607	\$ 1,104,526	\$ 231,225	\$ 1,104,526	\$ 231,225		
			1,093,901	-	-	942,743	\$ 1,093,901	\$ 151,156
			4,000	-	-	1,121	1,122	1
			45,000	-	-	45,000	45,000	-
			50,000	-	-	49,631	50,000	369
			<u>2,297,427</u>	<u>231,225</u>	<u>1,104,526</u>	<u>1,269,720</u>	<u>1,190,023</u>	<u>151,528</u>
Preschool Incentive	84.173	0804600706	52,785	-	-	45,265	52,785	7,520
			<u>52,785</u>	<u>-</u>	<u>-</u>	<u>45,265</u>	<u>52,785</u>	<u>7,520</u>
Infant/Toddler	84.161	071340190 081340190	64,541	31,337	64,541	31,337	-	-
			60,588	-	-	48,939	60,538	11,989
			<u>125,129</u>	<u>31,337</u>	<u>64,541</u>	<u>80,336</u>	<u>60,598</u>	<u>11,589</u>
Title II - Teacher Training	84.367	0805200708	272	-	-	272	272	-
			<u>272</u>	<u>-</u>	<u>-</u>	<u>272</u>	<u>272</u>	<u>-</u>
Title V - Innovative Programs	84.298	0802500708	304	-	-	-	304	304
			<u>304</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304</u>	<u>304</u>

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008 1/1/1900
U.S. DEPARTMENT OF EDUCATION, (Continued): Passed through Michigan Dept. of Education:								
Vocational Education Tech Prep	84.243	063540601411	\$ 136,477	\$ 44,768	\$ 136,477	\$ 44,768	-	
Passed through U.S. Department of Education Rural School Achievement	84.358	S358A076309 S358A066309	20,607 19,717 40,324	- 19,717 19,717	- 19,717 19,717	20,607 19,717 40,324	\$ 20,607 - 20,607	- - -
Passed through Tuscola Intermediate School District Tech Prep	84.243A	801411	24,484	-	-	22,983	24,484	\$ 1,501
Passed through Lapeer Intermediate School District: Family Literacy Grant	84.002	71130711087	6,690	6,690	6,690	6,690	-	-
Passed through Sanilac Intermediate School District: Special Needs - Perkins	84.048	063520801211	62,662	-	-	62,662	62,662	-
Passed through Grand Valley University: RCN Autism	84.027 *	08046400	36,700	-	-	36,700	36,700	-
Passed through Saginaw ISD: Reading First	84.357	071B3001238 0729100607	7,414 10,127	- 10,127	- 10,127	3,474 10,127	3,474 -	- -
Passed through Saginaw Valley State University: Mathematics & Science Partnership	84.386B	072410	175,000 288,993	- 16,817	- 16,817	1,225 120,878	5,631 108,467	4,408 4,406
TOTAL U.S. DEPARTMENT OF EDUCATION			2,976,195	343,864	1,342,078	1,624,546	1,457,530	176,848

* = Cluster

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES:								
Passed through Michigan Family Independence Agency:								
Strong Families/Safe Children	93.556	SFSC07-32002-1	\$ 11,515	\$ 1,610	\$ 8,155	\$ 3,885	\$ 2,275	-
Strong Families/Safe Children		SFSC06-32004-2	15,000	1,667	13,334	1,667	-	-
Strong Families/Safe Children		SFSC-06-32003-2	10,000	1,111	8,889	1,111	-	-
Total Passed Through Michigan Family Independence Agency			36,515	4,388	30,378	6,663	2,275	-
Passed through Michigan Department of Social Services:								
Medicaid	93.773		994	-	-	994	-	\$ 303
Transportation - School Based Services								
Medicaid	93.773		50,414	-	-	50,414	50,414	-
Outreach								
Passed through Thumb Area Michigan Works								
Temporary Assistance - 2008	93.589		37,835	-	-	-	37,835	37,835
Temporary Assistance - 2007			44,731	6,146	44,371	6,146	-	-
			82,566	6,146	44,371	6,146	37,835	37,835
TOTAL U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES								
			170,489	10,534	74,749	63,909	91,918	38,143

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2007	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2008
U.S. DEPARTMENT OF LABOR:								
Passed through Thumb Area Michigan Works:								
WIA Youth 2008 - Career Prep	17.259	**	\$ 82,500	-	-	\$ 82,500	\$ 82,500	-
WIA Youth 2008	17.259	**	18,002	-	-	18,002	18,002	-
Reed Act - 2007	17.260	**	5,400	-	-	5,400	5,400	-
Employment Service - 2007	17.207		65,743	\$ 9,035	\$ 65,743	9,035	-	-
WIA Adult - 2008	17.258	**	54,347	-	-	46,257	54,347	\$ 8,090
WIA Adult - 2008	17.259	**	4,500	-	-	4,500	4,500	-
Dislocated Worker - 2008	17.260	**	25,197	-	-	21,447	25,197	3,750
WIA Youth - Summer Camp - 2007	17.258/17.259/17.260	**	14,411	9,411	14,411	9,411	-	-
Employment Service - 2008	17.207		68,949	-	-	58,729	68,949	10,220
Research Projects	17.261		1,165	-	-	1,165	1,165	-
TOTAL U.S. DEPARTMENT OF LABOR			340,214	18,446	80,154	256,446	280,060	22,060
U.S. DEPARTMENT OF AGRICULTURAL								
Passed through Thumb Area Michigan Works:								
Food Stamp Program	10.581		394	-	40	394	394	-
TOTAL U.S. DEPARTMENT OF AGRICULTURAL			394	-	40	394	394	-
GRAND TOTAL			\$ 3,487,292	\$ 372,844	\$ 1,497,021	\$ 1,945,295	\$ 1,809,502	\$ 237,051

** = Cluster

The accompanying notes are an integral part of this schedule.

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

<u>PASS-THROUGH GRANTEE</u>	<u>CFDA NUMBER</u>	<u>STATE PASS-THROUGH NUMBER</u>	<u>CURRENT YEAR PASS-THROUGH</u>
<u>IDEA HANDICAPPED PRESCHOOL & SCHOOL PROGRAM:</u>	84.027	0704500607	
Bad Axe			\$ 7,500
Caseville			3,938
Elkton-Pigeon-Bay Port			6,062
Harbor Beach			5,000
North Huron			5,000
Owendale-Gagetown			5,000
Port Hope			3,000
Ubly			7,000
			<u>\$ 42,500</u>
 <u>MEDICAID OUTREACH</u>	 93.558		
Bad Axe			\$ 6,789
Caseville			1,199
Harbor Beach			3,952
Elkton-Pigeon-Bay Port			5,658
North Huron			2,207
Owendale-Gagetown			-
Port Hope			897
Ubly			3,983
			<u>\$ 24,645</u>

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Huron Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The IDEA 94-142 (CFDA 84.027) and the Preschool Incentive (CFDA 84.173) cluster were audited as a major program and represents 71% of expenditures.
2. The threshold for distinguishing Type A and B programs was \$300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	\$1,829,219
Plus: Revenues recorded as deferred revenue-year):	
Rural Schools Achievement	<u>(19,717)</u>
Reconciled financial statement balance	<u>\$1,809,502</u>
Federal expenditure per schedule of Federal Awards	<u>\$1,809,502</u>

HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified: _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173 Cluster	IDEA 94-142 Program

Dollar threshold used to distinguish between type A and Type B Programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

**HURON INTERMEDIATE SCHOOL DISTRICT, BAD AXE, MICHIGAN
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

There were no prior year audit findings for the year ended June 30, 2007.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Gary R. Anderson, CPA
Jerry J. Bernhardt, CPA
Thomas B. Doran, CPA
Valerie J. Hartel, CPA
Terry L. Haske, CPA
Jamie L. Peasley, CPA
Timothy Franzel

Robert L. Tuckey, CPA

September 19, 2008

To the Members of the Board
Huron Intermediate School District

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Huron Intermediate School District for the year ended June 30, 2008, and have issued our report thereon dated September 19, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 26, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Huron Intermediate School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirement that could have a direct effect on a major federal program in order to determine our auditing procedure for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Huron Intermediate School District's financial statements are free of material misstatement, we performed test of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Huron Intermediate School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Huron Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Huron Intermediate School District's compliance with those requirements.

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Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 26, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Huron Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used in calculating the liability for employee compensated absences. The estimated liability is approximately \$260,000. We evaluated the key factors and assumptions used to develop estimate of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. We did not identify any significant disclosures.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 19, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Members of the Board and management of the Huron Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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Timothy Franzel

Robert L. Tuckey, CPA

September 19, 2008

Members of the Board
Huron Intermediate School District

In planning and performing our audit of the financial statements of the Huron Intermediate School District as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated September 19, 2008 on the financial statements of Huron Intermediate School District. Our comments are summarized as follows:

Current Year Comments

Month-end procedures checklist

During the recently completed audit, we were required by new professional auditing standards to review, inspect, test and gain a further understanding of the District's internal controls. The increased emphasis on documentation of procedures performed will continue into the future. We have provided District personnel with a month-end procedures checklist which can be customized further for your District. The purpose of this checklist is to provide District personnel with a centralized list of required month-end procedures, as well as, a place to document who completed the procedure and who reviewed the procedure performed.

We recommend the District consider implementing this checklist on a monthly basis to improve documentation of required month-end procedures and clearly document when and by whom the procedure was performed and reviewed.

Uninsured bank deposits

During recent months, we have all heard the numerous issues involving the banking industry. Currently, it is our understanding, there are limits to FDIC insured balances. Generally, the limits are \$100,000 per depositor, per bank. Districts may also request certain funds be collateralized by the bank. There are other options regarding investing surplus funds from investment pools and treasury investments to commercial paper.

We are not investment advisors; however, we encourage you to meet with your investment representatives to review all of your options regarding surplus funds. We also recommend you review the District's investment policy to ensure it continues to satisfy the District's goals.

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Members of the Board
September 19, 2008
Page two

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the Huron Intermediate School District and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt & Doran, P.C.
Certified Public Accountants